Written Submission for the Pre-Budget Consultations in Advance of the 2020 Budget

Tourism Industry Association of Canada

TIAC AITC
**List of Recommendations**

**Recommendation 1:** Make Destination Canada a more competitive tourism marketing organization to ensure long-term sustainable funding by increasing base funding to $135 million annually.

**Recommendation 2:** Streamline the visa application process and bring low-risk countries under the Eta program for temporary resident visas.

**Recommendation 3:** Ensure that the collection of biometric requirements does not hamper tourism growth through ongoing monitoring of visa processing times, vigorous communications campaigns and investments in VACs and new technologies.

**Recommendation 4:** Support measures that facilitate the freedom to move people across the border and through airports with expanded pre-clearance and adequate investments in National Transportation Infrastructure to meet service levels.

**Recommendation 5:** Use industry labour need as the principal determiner to access all immigration streams, regardless of skill level. This includes permanent immigration and temporary labour solutions that meet the skills needs of the sector and regional labour markets and continue to make investments in skills labour programs that are accessible to non-STEM occupations, including hospitality and accommodations.

**Recommendation 6:** Reduce taxes paid by international visitors to Canada through the removal of GST on tourism products sold abroad to international visitors; and reduce costs attributed to fees, levies and taxes on air travel to help make the cost of air travel more competitive.

**Recommendation 7:** Enhance, streamline, and expand the Canadian Experience Fund through Canada’s Regional Development Agencies to continue to support the diversification of Canadian tourism product.
On behalf of the Tourism Industry Association of Canada (TIAC), we are submitting our response to the Finance Committee’s call for Pre-Budget Consultations in advance of the 2020 budget.

In 2018, tourism added $102 billion to Canada’s economy, providing a larger economic contribution than the automotive sector, as well as the agriculture and forestry sectors combined. The visitor economy accounted for 2.1% of Canada’s GDP last year, and as Canada’s largest service export, it also contributed $22.1 billion in export revenue. According to Statistics Canada, there are more than 200,000 tourism businesses across Canada, most of which are small businesses who together make a significant contribution to the overall economy of the country. These businesses employ 1.8 million people in a variety of job types – from entry-level to executive and entrepreneurial. 65% of these workers are tenured career professionals in well-paid, stable jobs.

Despite these impressive numbers, Canada’s growth lags behind that of many countries. This is in large part because of barriers in the areas of marketing, access, labour and cost-competitiveness – the areas of focus for our recommendations in this pre-budget submission. We will also touch on how these recommendations, and the growth of the tourism sector generally, will help support Canada’s transition to a green economy.

Marketing – Showcasing Canada to the World

Please see Recommendation 1

With its natural beauty, vibrant and safe cities, and unique experiences, Canada has the makings of a premier international travel destination. But Canada must compete with many other countries who by far exceed our investments in international marketing. As such, current funding levels for Destination Canada (DC) significantly impact our ability to maximize Canada’s potential to reach and appeal to potential international visitors in an increasingly competitive global marketplace.

Funding recently stabilized at $95.5M a year is a step in the right direction, however, to enhance Canada’s international competitiveness, Canada must ensure that investments for international marketing meet or exceed that of our competitors. Further, as indicated in the recently released report “Unlocking the potential of Canada’s visitor economy,” Canadian tourism marketing, in addition to maintaining high levels of interest in key attractions, needs more support to showcase rural and shoulder season tourism offerings, to support growth and diversification.

Canada overall spends less on marketing than most OECD countries that are top tourism destinations, including our North American counterparts in the U.S. and Mexico. Additionally, while a lower Canadian dollar helps bolster tourism spending, it also challenges our ability to advertise in crucial traditional markets like the U.S. and Europe. As tourism worldwide continues to grow, Canada must address its competitive challenges to ensure that the sector continues to be a significant economic driver for Canada. If the government were to raise DC’s base funding to $135 million per year, we would be investing the same as Australia on international marketing, thus increasing Canada’s global competitiveness.

Access – Sharing the Canadian Experience

Please see recommendations 2 & 3
Inbound travel to Canada is growing every year, but we still fall behind other countries in our annual growth. One of our key competitive disadvantages remains access issues. Canadians are privileged to be able to visit most countries around the world without needing a visa before travelling. For some of the fastest growing international markets globally, this is not the case. Travelers to Canada face many hurdles before even setting foot in Canada for business, travel, or study. Thus, our rankings for international openness are extremely low, placing Canada 120th out of 141 countries, according to the World Economic Forum (WEF).

Moreover, wait times for temporary resident (tourist) visas to Canada in high demand markets like China and India are unacceptably long where they can reach several weeks or even months. With the added time and effort visitors must now endure having biometric data collected in person, we are not incentivising visits to Canada. Travellers are much more likely to visit countries where there are fewer barriers to entry. While TIAC supports new technologies like biometric collection to streamline access, sufficient resources must be invested to ensure that biometric collection is efficient and does not create an additional barrier.

Improving foreign traveller access to Canada will positively boost the economy. **International visitors spend more and stay longer than domestic visitors.** 78% of tourism spending in Canada is from Canadians. However, international visitors spent an average of $1047 per trip, compared to about $244 per trip for domestic visitors. An increase of 1% of international visitors to Canada would add approximately $817M more to the Canadian economy.

**Labour – Keeping up with Tourism Demand**

*Please see recommendation 4 & 5*

People are the backbone of the hospitality and tourism sectors. Tourism accounts for 1.8 million jobs across Canada and employs a high number of young people, indigenous people, and new immigrants. With the growth of the travel and tourism sector over the past several years, there is more pressure than ever on tourism’s already struggling labour force to provide good tourism experiences.

Between 2018 and 2035, nearly 60,000 sector jobs are projected to go unstaffed. This issue is exacerbated by a skills gap, low public opinion of service-level employment, the government’s categorization of most tourism jobs as ‘low-skill,’ and the use of broad economic regions that make foreign recruitment inaccessible because of unemployment in unrelated ‘high-skill’ sectors. According to THRC, continued labour shortages could cost the Canadian economy $19.9B in potential visitor spending by 2035.

**Cost-Competitiveness – Recognizing Tourism as an Export Market and Supporting Businesses**

*Please see Recommendation 6 & 7*

Taxes on tourism products (which add to the cost of travel) disincentivize potential visitors. Canada is not considered a bargain destination, and our country’s size makes visiting multiple and remote areas costly.

Canada is one of the only countries in the world that charges tax to foreign visitors buying tourism products. This makes tourism the only Canadian export that is not zero-rated (tax removed). The repeal of the tax rebate on accommodations in tour packages (FCTIP) negatively affected international sales for
tourism businesses of all sizes. Additionally, the Retail Council of Canada estimates that the repeal of the visitor rebate program cost $5.96 Billion in GDP in Canada over the last ten years. Despite an industry-wide callout to the government to address this measure, no action has been taken to make Canadian tourism products more competitive in the global marketplace, making Canada a less attractive destination for meetings & incentive travel, as well as for more traditional tour packages.

In addition to reducing the tax burden on tourism products, the industry would like to see more significant support for product diversification. The 2019 budget allocated $58.5M to create the Canadian Experiences Fund through regional development agencies, which provide much-needed funding for projects to enhance rural, winter/shoulder seasons, culinary, LGBTQ2 and indigenous tourism product. The industry response to this fund has been overwhelming, showing there is a significant need for enhanced and continued investment from the government in this area.

**Tourism and The Required Transition to a Low Carbon Economy**

Globally, the tourism sector’s impact on the environment is becoming the centre of much discussion and debate. In Canada, our industry is dependent on a green, sustainable and protected environment to conduct business. Canada’s vast geography, the continued globalization of business, and planned increases in immigration all require an extensive and interconnected transportation system, including air, rail and road travel. We implore the government to consider this when looking at practical ways to reduce carbon impact to avoid unintended negative consequences on businesses and potentially creating additional travel barriers. Businesses across the sector continue to come up with innovative solutions to protect Canada’s environment and preserve our natural resources. This includes the many businesses that support the sustainability and educational mission of Parks Canada lands across the country, our convention centres and hotels which are finding ways to reduce their carbon footprint, and agro-food tourism which helps provide local and in-season culinary experiences. Airlines like Harbor Air – a TIAC Member – will soon operate Canada’s first international electric passenger flights to coastal British Columbia this summer.

Investing in businesses to allow them to become more innovative in their transition to a low-carbon economy, rather than focusing on taxes and regulatory bans, will be beneficial for the environment, Canada’s tourism businesses, including thousands of small businesses, as well as the visitor economy as a whole. We strongly believe that any new policies or regulatory measures to address environmental issues must be subject to rigorous and meaningful consultation with the tourism sector, which remains an economic pillar for this country.